

Message Text

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43

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-20 CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 CIEP-02 SPC-03 STR-08 TRSE-00 LAB-06

SIL-01 SAM-01 OMB-01 AEC-11 DODE-00 FEA-02 FPC-01

H-03 INT-08 L-03 NSC-07 PM-07 SCI-06 SS-20 AF-10

ARA-16 EA-11 NEA-10 DRC-01 EURE-00 /224 W

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O R 221502Z MAR 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 6607

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS UNN

USMISSION UN NEW YORK

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STATE ALSO FOR T/IEP

E.O. 11652: NA

TAGS: ENRG, ETRD, ECON, EEC

SUBJ: EC COMMISSION SUGGESTS ESTABLISHMENT OF A

WORLD-WIDE EMERGENCY FUND TO ASSIST LDCS

ADVERSELY AFFECTED BY INCREASES IN RAW

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MATERIAL PRICES

1. SUMMARY: IN A COMMUNICATION TO THE EC COUNCIL ON MARCH 21, THE EC COMMISSION HAS SUGGESTED THAT THE COMMUNITY TAKE THE INITIATIVE IN ESTABLISHING A \$3 BILLION EMERGENCY AID FUND TO ASSIST THOSE LDCS MOST AFFECTED BY THE RISE IN OIL AND OTHER RAW MATERIAL PRICES. ACCORDING TO THE COMMISSION, THE FUND WOULD BE FINANCED BY CONTRIBUTIONS FROM ALL THE "RICH" COUNTRIES, A TERM WHICH, WE ARE TOLD, WOULD SPECIFICALLY INCLUDE SOME OF THE OIL PRODUCERS. THE EC'S CONTRIBUTION TO THE FUND WOULD BE \$500 MILLION. THE COMMISSION PAPER ALSO SUGGESTS THAT THE COUNCIL MIGHT WISH TO TAKE ACTION ON THIS IDEA PRIOR TO THE UNGA SPECIAL SESSION ON RAW MATERIALS. PERM REP SOURCES QUESTION THE TIME TABLE AND EXPRESSED LITTLE ENTHUSIASM FOR THE NEW DEMAND FOR MEMBER STATE CONTRIBUTIONS. END SUMMARY.

2. COMMISSIONER CHEYSSON PRESENTED THE COMMISSION'S PROPOSAL TO THE PRESS ON MARCH 21. IN ITS BRIEF ANALYSIS, THE COMMISSION'S PAPER REVIEWS THE PRESENT SITUATION OF THE LDCS IN THE WAKE OF INCREASES IN OIL, WHEAT AND FERTILIZER PRICES. IT ESTIMATES THAT ADDITIONAL LDC IMPORT COSTS (IF MAINTAINED AT 1972 IMPORT LEVELS) TO BE ROUGHLY \$15 BILLION. ACCORDING TO THE COMMISSION, THIS FIGURE REPRESENTS 30 PERCENT OF THE TOTAL VALUE OF THEIR EXPORT IN 1972, 80 PERCENT OF THE

VALUE OF TOTAL FINANCIAL FLOWS FROM DAC COUNTRIES TO THE LDCS, AND ROUGHLY TWICE THE PUBLIC DEVELOPMENT AID PROVIDED BY THE DAC.

3. THE COMMISSION CATEGORIZES THE LDCS INTO THREE GROUPS: A) THOSE WHO WILL BE ABLE TO COMPENSATE FOR THE INCREASE IN IMPORT PRICES BY MEANS OF INCREASED REVENUES FROM EXPORTS OF RAW MATERIALS WHOSE WORLD PRICES HAVE ALSO RISEN CONSIDERABLY DURING THE PAST YEAR; B) THOSE WHOSE TERMS OF TRADE HAVE DETERIORATED BUT HAVE SUFFICIENT RESERVES TO SOFTEN THE ADJUSTMENT PROCESS OVER TIME EITHER BY BORROWING OR USING ACCULULATED RESERVES; AND C) THOSE WHO FIT IN NEITHER LIMITED OFFICIAL USE

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OF THE ABOVE CATEGORIES AND ARE MOST DRAMATICALLY AFFECTED BY THE PRESENT SITUATION. THE LATTER INCLUDE THE POPULOUS COUNTRIES OF SOUTHEAST ASIA, CENTRAL AMERICA, THE CARIBBEAN, THE SAHEL AND OTHER TROPICAL AFRICAN COUNTRIES. THOSE COUNTRIES CAN EXPECT NO CAPITAL INFLOW FROM OIL-EXPORTING COUNTRIES, AND THEIR PRESENT INDEBTEDNESS MAKES ADDITIONAL BORROWING DIFFICULT. THE COMMISSION'S PROPOSAL, CITED IN PARA 1, IS DIRECTED

PRIMARILY FOR THE BENEFIT OF THE COUNTRIES IN THIS THIRD CATEGORY.

4. COMMENT: THIS COMMISSION INITIATE REFLECTS PARTICULARLY THE THINKING OF EC COMMISSIONER CHEYSSON, WHO IS RESPONSIBLE FOR DEVELOPMENT AID. HE USED THE SAME ANALYSIS WHEN HE MET WITH A GROUP OF U.S. CONGRESSMAN ON MARCH 19. ALTHOUGH HE MADE NO MENTION OF THE PRESENT COMMISSION PROPOSAL AT THAT TIME, HE DID STRESS THE IMPORTANCE OF ENLISTING ARAB PARTICIPATION IN EFFORTS TO ASSIST THE LDCS--PARTICULARLY THOSE IN THE THIRD CATEGORY DESCRIBED ABOVE.

5. IN BRIEF CONVERSATIONS MARCH 21-22 WITH SOME MEMBER STATE DELEGATIONS, MOST OF WHOM WERE AS YET UNINSTRUCTED ON THE MATTER, THERE WAS DOUBT WHETHER AN IDEA SUCH AS THIS COULD GET OFF THE GROUND PRIOR TO THE UNGA SPECIAL SESSION ON RAW MATERIALS. THERE WAS LITTLE ENTHUSIASM FOR NEW COMMUNITY FINANCIAL OBLIGATION WHEN THE REGIONAL FUND ISSUE IS STILL OUTSTANDING. A GERMAN PERM REP SOURCE TOLD US ON MARCH 22 THAT HE HAD RECEIVED OVERNIGHT INSTRUCTIONS REGARDING THE PROPOSAL BUT HE DESCRIBED THEM AS "NEGATIVE". NEVERTHELESS, THE SUBJECT HAS BEEN INSCRIBED ON THE AGENDA FOR THE WORKING GROUP DISCUSSING COMMUNITY PARTICIPATION IN THE UNGA SPECIAL SESSION. OUR GERMAN SOURCE WAS DISPLEASED WITH CHEYSSON'S ATTEMPT TO PUBLICIZE THE PROPOSAL BY GIVING A LARGE PRESS CONFERENCE. HE ALSO CRITICIZED THE LACK OF CONSULTATION WITH OTHER POTENTIAL CONTRIBUTORS TO THE FUND--PARTICULARLY THE U.S. OUR SOURCE SAID THAT CHEYSSON HAS SURFACED THE PROPOSAL DURING A MEETING OF THE DEVELOPMENT COMMITTEE OF THE EUROPEAN PARLIAMENT IN BRUSSELS ON THE MORNING OF MARCH 21. FRG DEVELOPMENT MINISTER EPPLER WAS PRESENT LIMITED OFFICIAL USE

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AND QUESTIONED WHETHER INDUSTRIAL COUNTRIES CAN HOP
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, RAW MATERIALS, PETROLEUM, EXPORTS, FOREIGN ASSISTANCE, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
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Disposition Reason:
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30 JUN 2005

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Type: TE
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